



Ernie Fletcher
Governor

Mark David Goss
Chairman

LaJuana S. Wilcher, Secretary
Environmental and Public
Protection Cabinet

Commonwealth of Kentucky
Public Service Commission
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Teresa J. Hill
Vice Chairman

Christopher L. Lilly
Commissioner
Department of Public Protection

Gregory Coker
Commissioner

Paul Amburgey
Woolpert, LLP
1200 Corporate Court
Ashland, KY 41102-5336

May 9, 2006

CERTIFICATE OF SERVICE

RE: Case No. 2006-00174
Sharpsburg Water District

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on May 9, 2006.

Executive Director

BOD/sh
Enclosure



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Pam Farmer
Rural Development
220 West First Street
Morehead, KY 40351

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Ms. Gayle Haney
Manager/Distribution Operator
Sharpsburg Water District
P. O. Box 248
667 Main St., Suite 2
Sharpsburg, KY 40374

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May 9, 2006

Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KY 40202

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Honorable Earl Rogers III
Attorney at Law
Campbell & Rogers
154 Flemingsburg Road
Morehead, KY 40351

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May 9, 2006

Kenneth H. Slone
State Director
United States Department of Agriculture Rural Development
771 Corporate Drive, Suite 200
Lexington, KY 40503-5477

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE SHARPSBURG)	
WATER DISTRICT FOR A CERTIFICATE OF)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY TO)	2006-00174
CONSTRUCT, FINANCE, AND INCREASE)	
RATES AND CHARGES PURSUANT TO KRS)	
278.023)	

O R D E R

On April 28, 2006, Sharpsburg Water District ("Sharpsburg") submitted an application for a Certificate of Public Convenience and Necessity to construct, finance, and increase rates for a \$1,025,000 waterworks improvement project. This project consists of the installation of approximately 20,700 linear feet of 2-, 3-, 6-, and 8-inch waterline and appurtenances; new Supervisory Control and Data Acquisition ("SCADA") system; repainting of the Whetstone tank; and construction of a new office building.

Sharpsburg proposes to finance the construction of the project through: (i) the issuance of \$258,000 of its Waterworks Revenue Bonds, Series 2006; (ii) a U.S. Department of Agriculture, Rural Development ("USDA-RD") grant in the amount of \$160,000; (iii) an Appalachian Regional Commission ("ARC") grant in the amount of \$500,000; (iv) a Tobacco Settlement grant in the amount of \$100,000; and (v) an Applicant contribution in the amount of \$7,000. The \$258,000 loan is for a 40-year period with an interest rate not to exceed 4.50 percent per annum. Sharpsburg's application was made pursuant to KRS 278.023, which requires the Commission to

accept agreements between water utilities and the U.S. Department of Agriculture or the U.S. Department of Housing and Urban Development, and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. Given that minimum filing requirements were met in this case on April 28, 2006, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.

IT IS THEREFORE ORDERED that:

1. Sharpsburg is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Sharpsburg's proposed plan of financing with RD is accepted.
3. Sharpsburg is authorized to borrow \$258,000 at an interest rate not exceeding 4.50 percent per annum for 40 years.
4. The proceeds from the bond issuance shall be used only for the purposes specified in Sharpsburg's application.
5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, Sharpsburg may use such surplus to construct additional plant facility if RD approves of the use, and the additional construction will not result in a change in Sharpsburg's rates for service. Sharpsburg shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.
6. Sharpsburg shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the

contract plans and specifications within 60 days of the substantial completion of the construction certified herein.

7. Sharpsburg shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining, or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), Sharpsburg shall take immediate action to ensure that the level of service conforms to the regulations of the Commission.

8. Sharpsburg shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

9. The rates set out in Appendix A, which is attached hereto and incorporated herein, are the rates approved for services rendered on and after the date of this Order.

10. Within 30 days of the date of this Order, Sharpsburg shall file with the Commission its revised tariffs setting out the rates approved herein.

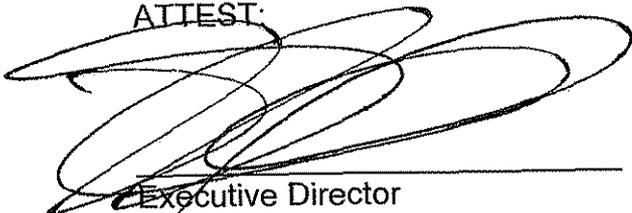
11. Three years from the effective date of this Order, Sharpsburg shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 9th day of May, 2006.

By the Commission

ATTEST:

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and flourishes, positioned above a horizontal line.

Executive Director

Case No. 2006-00174

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2006-00174 DATED May 9, 2006.

The following rates and charges are prescribed for the customers in the area served by Sharpsburg Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8 x 3/4 Inch Meter

First	2,000 gallons	\$ 18.00	Minimum bill
Next	3,000 gallons	4.00	per 1,000 gallons
Next	5,000 gallons	3.50	per 1,000 gallons
All Over	10,000 gallons	3.30	per 1,000 gallons

1 Inch Meter

First	5,000 gallons	\$ 30.00	Minimum bill
Next	5,000 gallons	3.50	per 1,000 gallons
All Over	10,000 gallons	3.30	per 1,000 gallons

2 Inch Meter

First	16,000 gallons	\$ 67.30	Minimum bill
All Over	16,000 gallons	3.30	per 1,000 gallons

Schools

First	50,000 gallons	\$ 179.50	Minimum bill
All Over	50,000 gallons	3.30	per 1,000 gallons

Debt Service Surcharge*

\$ 5.00 per customer

*To be assessed to the minimum bill for all customers of the 1996 and 2004 USDA projects.

Non-Recurring Charges

Connection Charges

5/8 x 3/4 Inch Meter Size	\$ 600.00
Larger than 5/8 x 3/4 Inch Meter Size	Actual Cost

Other Charges:

Tank Truck Sales \$7.00 per 1,000 gallons

Re-read Charge	\$20.00
Field Collection Charge	\$20.00
Service Call Investigation Charge	\$20.00
Meter Test Charge	\$20.00
Return Check Charge	\$20.00
After Hours Turn-On Charge	\$25.00